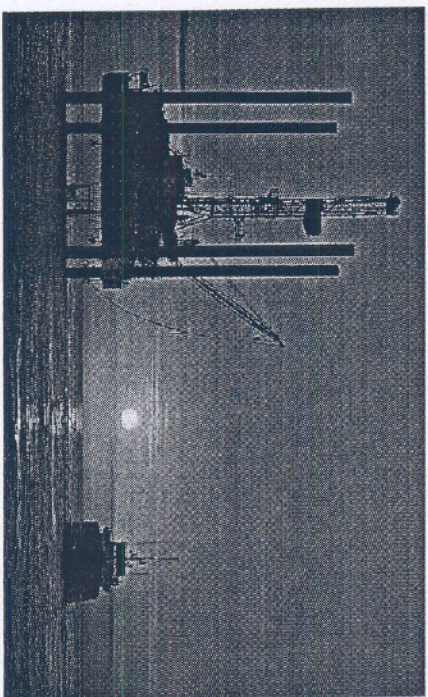
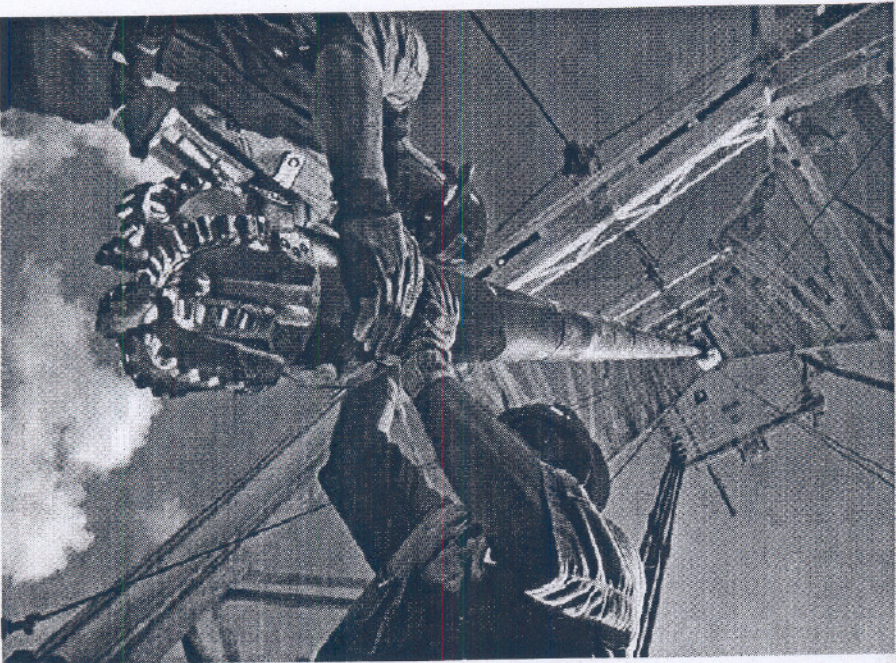


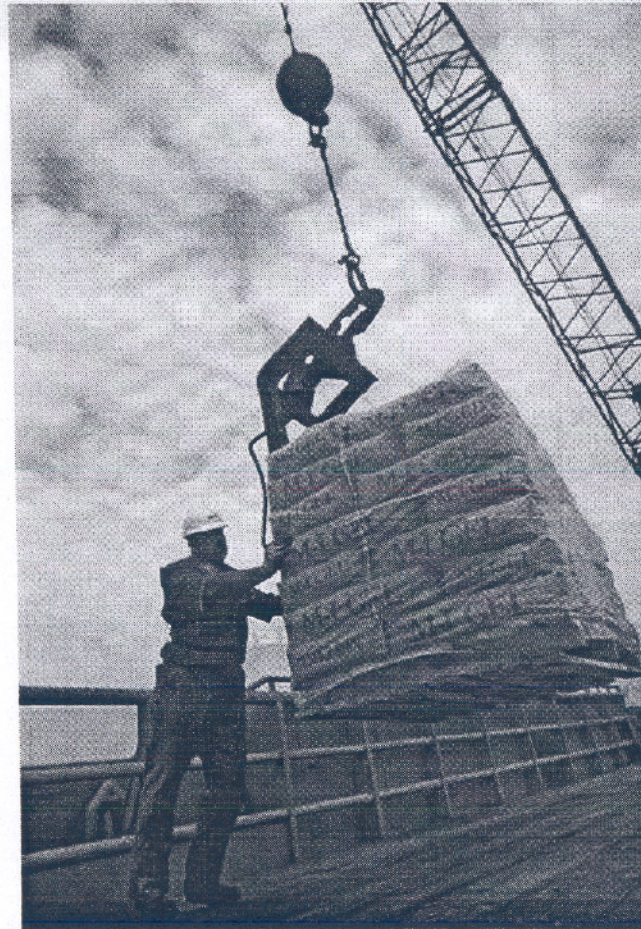
M-I SWACO is a vital part of the world's exploration & production industry



M-I SWACO

Who We Are

- M-I SWACO is the leading supplier of engineered fluid systems and drilling waste management solutions to the worldwide exploration & production industry
- We are a joint venture company, majority owned by Smith International
 - (NYSE: SII)
- Worldwide we employ over 10,000 people
- We are a member of the Customs – Trade Partnership Against Terrorism



M-I SWACO

Company Profile



	Number
Total employees	10,000
Locations	275
Countries	70
Fluid engineers	2,000
Wells serviced in 2004	10,000+
Technology centers	3
Customers	600+



Warehouse & service centers



M-I SWACO operates in 70 countries around the world, through some 300 warehouses, offices, and service centers

M-I SWACO

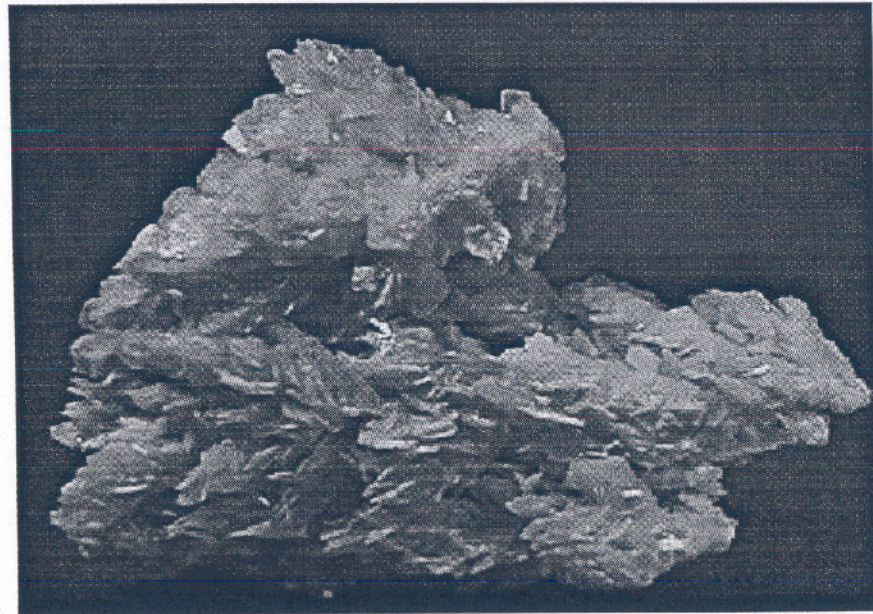
What Are Fluids?



- Fluids are a blend of minerals, usually barite, and specialty chemicals, designed to work together to perform specific functions during drilling operations
 - *Cool & lubricate the drill bit*
 - *Maintain a stable wellbore, so that drilling is quick and trouble-free*
 - *Bring the drill cuttings to the surface, where the fluid is separated from the cuttings & recycled*
 - *Contain formation pressures, to avoid a "blow-out"*
- It is not possible to drill most oil and gas wells without barite or a barite substitute

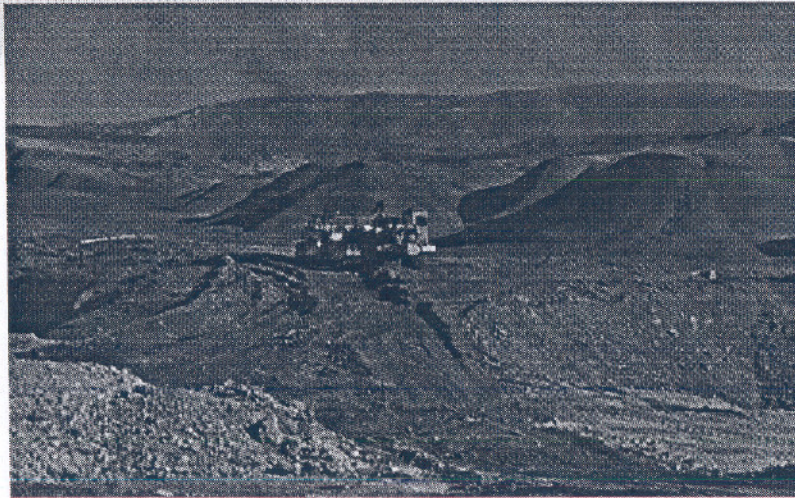
About Barite

- Barite is the overwhelming weighting agent in drilling fluids
- M-I SWACO is the world's leading producer and purchaser of Barite
- Mining the domestic supply at Battle Mt., Nevada
- Purchasing from the world's largest reserve: China
 - Also purchasing for worldwide operations from suppliers in India, Turkey, Spain, Mexico, Thailand, Morocco, and Vietnam



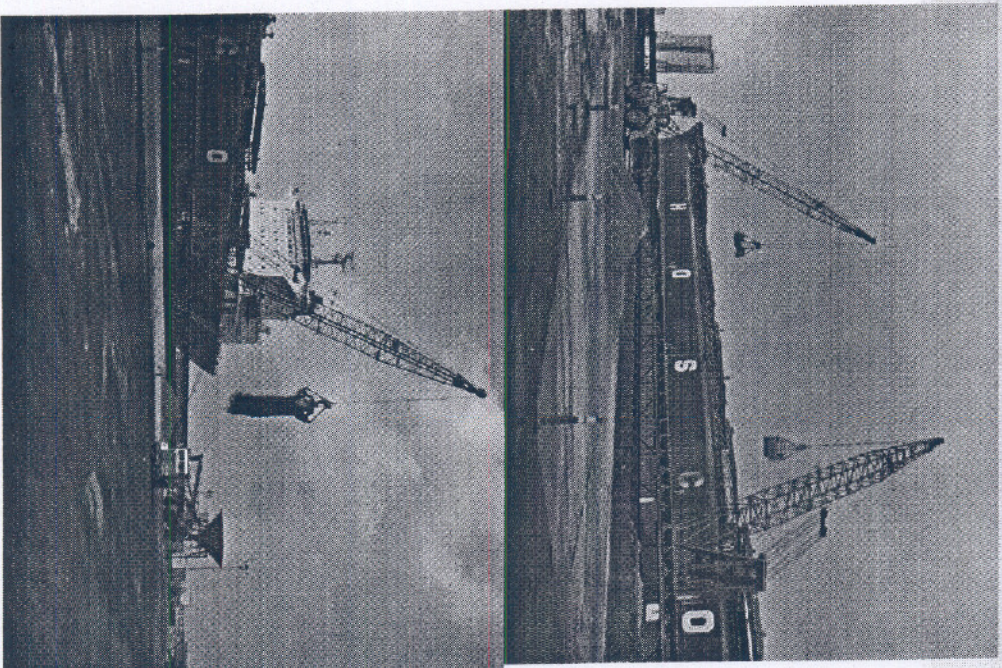
M-I SWACO

Mining in Battle Mountain Nevada



- Mining operations
 - Open pit mining
 - Barite production in excess of 300,000tons/year
 - Reserves depleting – limited long term supply that meets API standards

Importing Chinese Barite in Bulk



MISWACO

Grinding Mills



- Grinding Operations
 - Typically as close to markets as possible
 - Transportation of the finished product is highly freight-dollar-intensive

Import Duties

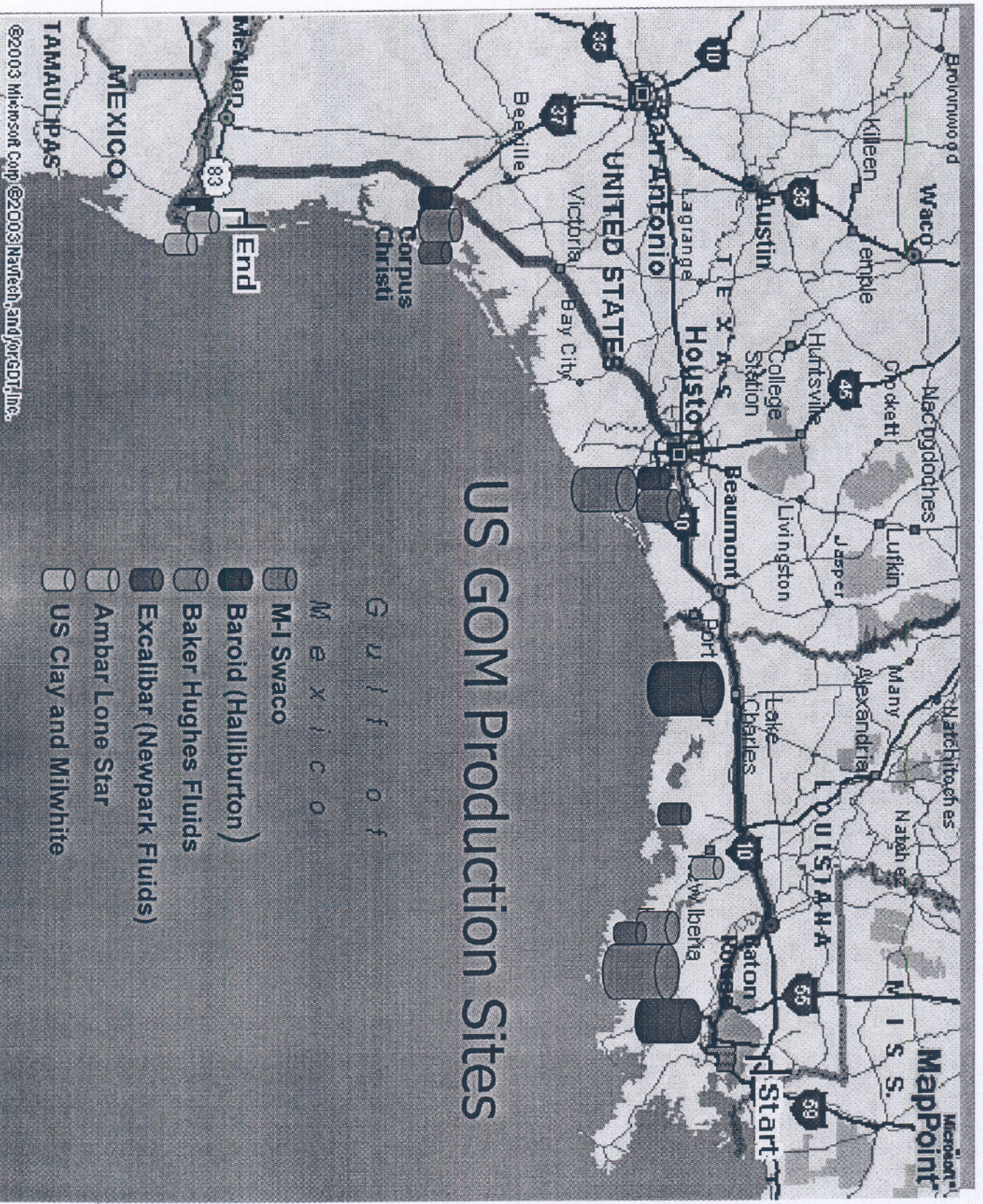
Harmonized Tariff Schedule of the United States (2005)

Annotated for Statistical Reporting Purposes

V
25-3

Heading/ Subheading	Stat Suf- fix	Article Description	Unit of Quantity	Rates of Duty		
				1		2
				General	Special	
2511		Natural barium sulfate (barytes); natural barium carbonate (witherite), whether or not calcined, other than barium oxide of heading 2816:				
2511.10		Natural barium sulfate (barytes):				
2511.10.10	00	Ground	t	Free		\$7.38/t
2511.10.50	00	Other	t	\$1.25/t	Free (A,AU,CA,CL, E,IL,J,JO, MX,SG)	\$3.94/t

- Barite ore, (not ground) is dutiable at \$1.25 per metric ton
 - We imported over 700,000 metric tons last year
 - The industry as a whole imported over 2.1MM metric tons
 - \$2.8MM in duty cost added to the cost of producing domestic oil & gas
- Interestingly, ground Barite is duty free, which is helpful to users of small amounts (Automotive, Medical, etc)



US GOM Production Sites

- Gulf of Mexico
- M-I Swaco
- Baroid (Halliburton)
- Baker Hughes Fluids
- Excalibar (Newpark Fluids)
- Ambar Lone Star
- US Clay and Milwite

US GOM Barite Grinding Employment

	M-I Swaco	Baroid/ Cimbar*	Baker*	Excalibar*	Ambar*	Milwhite*	US Clay*	Total*
Brownsville, TX						10	15	25
Corpus Christi, TX		20	15	15				50
Galveston, TX	16							16
Houston, TX (Cimbar)		15		25				40
Lake Charles, LA		40						40
New Iberia, LA				20				20
Morgan City, LA			25					25
Amelia, LA	22							22
Houma, LA					15			15
New Orleans, LA		14						14

* estimates

TOTAL USGOM	38	39	40	60	15	10	15	267
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Processing of imported barite ore adds approximately 270 jobs to the Texas-Louisiana Gulf Coast economy

- Current trade policy penalizes processing of ore



Import Sources

- China is the largest by far

U.S. IMPORTS OF SELECTED MERCHANDISE

Year to date December 2005

2511105000 Natural Barium Sulfate (Barytes) Except Ground

Source	Metric Tons	Percent
China	2,281,376	86.195%
India	320,862	12.123%
Morocco	44,422	1.678%
All others	104	0.004%
Total	2,646,764	100.000%

Source: Mary E. May, Trade Data Services. U.S. Census

Dependency

- March 2005 USGS report to Congress identifies barite as a mineral import relevant to national security
- Upwards of 70% of our U.S. energy production is dependent on imported barite
- The current duty rate effectively contributes about 2.5% to the current landed cost of imported Chinese coarse barite
- China's largest rival is India, which enjoys GSP privileges, but whose contribution to the import picture has been in steady decline

Conclusion

- The current duty on barite ore (lumps) serves no purpose in encouraging greater mining of domestic Nevada barite
 - Mine-able reserves are limited
- The current duty on barite lumps, while allowing free import of ground barite, serves no purpose in encouraging greater volumes of barite processing in Texas and Louisiana
 - Market demand determines quantity imported and processed